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SUBJECT: LABOR MK HERZOG: "SHARON STOLE HANEGBI," AND MORE  
ON ISRAEL'S "MADHOUSE" POLITICS

1. (SBU) Summary: In a December 7 meeting with the Ambassador, Labor MK and former Housing Minister Isaac (Itzhak) Herzog discussed the ever-evolving Israeli political scene, including then breaking news that acting Likud Party Chairman and Minister-without-Portfolio Tzachi Hanegbi had decided to join Prime Minister Sharon's Kadima Party. Herzog said that new Labor Party leader Amir Peretz intends to focus the campaign on economic issues, rather than security. Herzog said he believes Kadima and Labor have similar diplomatic agendas with regard to the peace process and could form a majority coalition in a Sharon-led government. He stressed, however, that Labor wants an unconditional uprooting of illegal outposts. End Summary.

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Herzog: "Pillar of Likud" Hanegbi to Join Kadima  
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2. (SBU) Labor MK and former Housing Minister Itzhak Herzog entered his December 7 meeting with the Ambassador bursting with news that acting Likud Chairman Minister Tzachi Hanegbi intended to announce his decision to join the Kadima Party. He commented that Israeli politics is a "madhouse" and charged that Sharon "stole" Hanegbi. Herzog referred to Hanegbi as "a major pillar of the Likud Party," and assessed that Hanegbi's move is a "big blow to Likud." He characterized Hanegbi as an asset to Sharon since Hanegbi has strong grassroots ties, something Herzog claimed that Sharon lacks. "(Hanegbi) is a machine of politics," Herzog commented, despite the fact that he is "wounded" due to the criminal investigation against him for political cronyism. Sharon is trying to take everyone with him, according to Herzog, and continued that, "I was one of the first people Sharon called to ask to join Kadima... Sharon begged me to join." Herzog said he could not do so since the Labor Party is his "home."

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Sharon Won't Fire Mofaz, According to Herzog  
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3. (SBU) In response to the Ambassador's query as to the extent to which Sharon and Minister of Defense Shaul Mofaz are cooperating since Sharon left Likud, Herzog acknowledged that the two could be having problems. He commented that after December 8, Sharon can appoint new ministers without Knesset approval. He added that Sharon can also fire any minister, but added that he does not believe Sharon will fire Mofaz. Herzog said that after Likud's December 19 leadership primaries, Likud will decide whether to leave the government. In response to the Ambassador's query, Herzog said he does not believe that either Mofaz or Foreign Minister Silvan Shalom would leave Likud for Kadima, but indicated that given the state of play, he could not rule anything out. At one point in the discussion, Herzog remarked that "every six hours you have a new crisis."

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Labor Wants Campaign on the Economy  
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4. (SBU) Turning to the upcoming election campaign and party politics, Herzog said that the real campaign battle would be over the agenda. Acknowledging that Sharon has a stronger message than Peretz on security issues, Herzog said that Labor wants to focus the campaign on the economy rather than on security. He stressed several times during the meeting that Peretz is a "hard worker" and that he would be focusing on improving his campaign organization. Herzog also discussed Labor's setbacks and weaknesses, including:

- the decision by former Labor Party interim Chair Shimon Peres to ally himself with Sharon;
- being embroiled in internal party politics at the expense of developing a national campaign;
- lack of a strong message on security issues;
- some of Peretz's left-of-center platform proposals, such as embracing the Oslo Accords and his commitment to appoint an Israeli-Arab minister;
- replacement of some veteran Labor Party field workers with Peretz supporters.

5. (SBU) On the positive side, Herzog assessed that Labor

will put together an attractive Knesset list that will include Ben Gurion University President Avishai Braverman, former Shin Bet head Ami Ayalon, and Labor MKs Yuli Tamir and Ofir Pines-Paz. Herzog asserted that Labor has a good security team, but added that "Sharon is more sexy." In response to the Ambassador's query, Herzog said that Labor does not plan to recruit any security experts per se to the party, but said that Ayalon and Labor MK Binyamin Ben-Eliezer, a retired general, bring important security experience with them. Herzog speculated that once Labor has a strong Knesset list, and after the Likud primaries, the polls will show Kadima with some 30 Knesset seats rather than the 40 that polls now predict.

16. (SBU) Herzog said that Labor will not fully organize its national campaign until after Labor's Knesset list primaries, likely to be moved up to January 11 from the 17th. Herzog noted that the some 120,000 registered Labor Party members would select the list, with the first 12 slots reserved for the most popular candidates, and four of those slots held for women. Additional slots beyond the first 12 are allocated based on regional and sectoral criteria, he said. Herzog said that so far, Peretz and Labor Party Secretary Eitan Cabel are assured top slots as is Labor MK Rabbi Michael Melchior. The party "respects" Melchior, and, since he represents the Meimad faction of the Labor Party, Melchior will bring additional support to Labor, Herzog said.

17. (SBU) Commenting on the changing political landscape, Herzog said that following Likud's formation in 1973, Likud drew much of its strength from blue collar workers, while Labor continued to represent the white-collar workers. Peretz, he said, is now attracting the blue-collar sector back to Labor. He assessed that the Russian immigrant sector will mainly support Sharon, since "they prefer Ashkenazi leaders," but said that Labor is making some small inroads with the Russians by promoting Labor's egalitarian economic policies. Herzog said that Labor is also trying to prevent Kadima from eating into Labor's traditional support from the Kibbutz and Moshav sectors. To keep that support, Herzog asserted, Peretz knows that he will need the support of former Prime Minister Ehud Barak -- who recently indicated he will not run for a Knesset seat.

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Israel/Palestinian Issues  
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18. (SBU) In response to Herzog's inquiry as to what actions the USG has taken after the Netanya attack, the Ambassador noted that the Secretary had called PA President Mahmud Abbas to urge him to take action against terrorism and that A/S Welch would be here this week for meetings. The Ambassador said that the PA had made a number of arrests of suspected terrorists. Herzog said that the GOI is promoting what he termed a huge project to prevent smuggling of weapons, drugs and people across the border with Egypt.

19. (SBU) Herzog asked the Ambassador whether the USG prefers that Israel take unilateral moves or seek agreement with the Palestinians with regard to the West Bank and Gaza. The Ambassador responded that unilateral steps such as the disengagement plan can help the parties move back to the roadmap, but if Sharon wants to define Israel's borders, the USG believes the GOI should do so through agreement with the Palestinians. Herzog questioned how long progress on the roadmap could be held up while Sharon demands PA action against terrorism. He also questioned whether removal of illegal outposts should be conditioned by the GOI on PA action against terrorism. Herzog stressed that Labor wants an unconditional uprooting of illegal outposts, but he noted that there are always delays. He cited the example of the Almona outpost where the High Court ruled in August that nine permanent homes be removed, but the houses are still standing.

110. (SBU) Herzog said that both Labor and Kadima have similar peace agendas and he could see the parties forming a majority coalition. He added that Peretz had only ruled out joining a coalition led by Likud. One led by Kadima could be a different story.

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